



All loan requests must be made through the Diocesan Finance Office. Parishes, schools and diocesan institutions are not permitted to secure financing from outside commercial lenders without the permission of the Bishop.

Normally, there are two types of loans that parishes, schools and institutions seek to obtain: large, long-term capital projects that require financing and short-term cash flow type loans for operating expenses.

CAPITAL PROJECT LOANS

In the case of a loan related to a capital project, the parish must follow all procedures set forth in the [Project Planning Procedures Manual](#). That policy requires “all projects to have 50% cash on hand and receive written approval from the Bishop prior to starting any project.” Additionally, each parish must also have the remaining 50% of the capital project in ‘verifiable pledges’ as of the time that approval is requested. This means that a project must have the written permission of the Bishop and be 100% funded prior to the start of construction. Verifiable pledges means that the parish/school must be able to provide a full listing of all donors to the project, the amount of their pledge, the amount of all payments made to date, the remaining amount payable as well as the timing of the pledges yet to be paid.

For example, assume that Parish X has a capital project estimated at \$2,000,000. In order for the project to meet 50/50 policy requirement, the parish must have at least \$1,000,000 in cash on hand **and** at least \$1,000,000 in verifiable pledges yet to collect. See the four examples below. Note that **only** Scenario C meets Diocesan policy. All other scenarios fall short on either cash on hand, verifiable pledges or both.

	Scenario A	Scenario B	Scenario C	Scenario D
Total Campaign Pledges	2,000,000	2,000,000	2,000,000	2,000,000
Less: Cash collected to date	1,100,000	935,347	1,000,000	987,500
Pledges yet to collect	850,000	1,250,000	1,250,000	950,000
(Shortage)/overage	(50,000)	185,347	250,000	(62,500)
As a percent of the project:				
Cash on Hand	55.0%	46.8%	50.0%	49.4%
Verifiable Pledges	42.5%	62.5%	62.5%	47.5%

SHORT-TERM OPERATING LOANS

In the case of short-term, cash flow type loans, the parish, school or institution must submit their request in writing to the Bishop. That request must include, at a minimum, the following information:

- Total amount to be borrowed
- Reason for the borrowing; i.e. payroll, operating expenses, etc.
- Why the parish is not able to cover the shortfall from regular operating income
- A cash flow forecast of total income and expenses demonstrating ability to repay the loan.
- A three-year look back at historical financial results of the parish.
- History of previous loans and explanation of any unpaid loans.

Diocese of Covington

Policies & Procedures Manual

Section: Liabilities

Policy: Loans



Loans may not be approved for parishes that are not current in their obligations to the Diocese. These obligations include, but are not limited to:

- Filing of parish financial statements
- Payment of parish and secondary school fund assessments
- Timely remittance of special collections
- Compliance with diocesan fiscal policy as described in the Parish Fiscal Policies and Procedures Manual
- Payments to the diocesan benefits fund

DIOCESAN DEPOSIT AND LOAN FUND

Occasionally, the Diocese may make loans to parishes through the Diocesan Deposit and Loan (D&L) Fund. For more information, please see the “Loans to Parishes” section of the “Investments” policy by [clicking here](#).